

## SD DEPARTMENT OF REVENUE AND REGULATION

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TO: Education Task Force Members

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RE: Market Value of Property

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The Department was asked to provide information to the Education Task Force concerning use of the market value in determining the valuation of property. In particular, the valuation of agricultural land.

Below is the section of the State Constitution which refers to taxation to support schools and also the South Dakota statute which states all property is to be assessed at its "true and full value in money".

**Article XIII § 15. Taxation to support school system--Classification of property.** The Legislature shall make such provision by general taxation and by authorizing the school corporations to levy such additional taxes as with the income from the permanent school fund shall secure a thorough and efficient system of common schools throughout the state. The Legislature is empowered to classify properties within school districts into separate classes for purposes of school taxation. Taxes shall be uniform on all property in the same class.

**SDCL 10-6-33. Basis for determining valuation for tax purposes--Forced sale value not to be used-- Cost, market and income approaches to appraisal considered.** All property shall be assessed at its true and full value in money. The true and full value is the taxable value of such property upon which the levy shall be made and applied and the taxes computed. In determining the true and full value of property the director of equalization may not adopt a lower or different standard of value because it is to serve as a basis of taxation. The director may not adopt as a criterion of value the price for which the property would sell at a forced sale, or in the aggregate with all the property in the third class municipality or district. The director shall value each article or description by itself and at an amount or price as he believes the property to be fairly worth in money. The true and full value shall be determined by appropriate consideration of the cost approach, the market approach and the income approach to appraisal. The director of equalization shall consider and document all elements of such approaches that are applicable prior to a determination of true and full value.

Also attached are:

2006 Valuations – Taxes Payable in 2007

Summary of Assessment Process

Example of determining dollar value for agricultural land / bridging